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# REPORT TO THE CONGRESS



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## Improved Financial Administration And Revision Of Fees Needed--Consular Services Program B-118682

Department of State

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

APRIL 14, 1971

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-118682

To the President of the Senate and the  
Speaker of the House of Representatives

This is our report on improved financial administration and revision of fees needed • consular services program, Department of State.

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Secretary of State.

A handwritten signature in cursive script that reads "James B. Axtell".

Comptroller General  
of the United States

D I G E S T

WHY THE REVIEW WAS MADE

Under established Government policy, Federal agencies charge a fee for services performed for special beneficiaries that are not provided to the public at large. This policy is referred to as the user-charge principle.

During fiscal year 1970 the Department of State collected about \$32 million in user charges for providing consular services including the issuance of about 2.2 million passports, 2 million nonimmigrant visas, and 310,000 immigrant visas.

The General Accounting Office (GAO) was concerned as to the basis for the establishment of user charges for consular services and whether the fees collected were adequate to recover the cost of rendering these services.

FINDINGS AND CONCLUSIONS

Fees collected by the Department of State for issuing several million travel documents annually to individuals traveling between the United States and foreign countries represent a substantial source of income to the U.S. Government. The Department, however, has had no definitive policy or criteria for establishing consular fees nor any method for defining and accumulating cost data necessary for the effective financial administration of the program or for determining the equity of the fees charged.

On the basis of computations using fiscal year 1970 data, GAO estimates that departmental costs associated with processing and issuing immigrant visas to foreign nationals exceed revenues by \$9 million annually. Current fees charged for immigrant visa services were established in 1952. As of October 1970 the Secretary of State had not taken any positive action to determine whether these fees needed to be revised in the light of current costs or any other factors that might have a bearing on the level of fees. (See p. 7.)

The Secretary of State has not promulgated definitive policy and criteria for the establishment of fees for consular services responsive to Public Law 90-609 of October 1968. This statute eliminated the prescribed

statutory fees for certain consular services, particularly immigrant and nonimmigrant visas, and authorized the Secretary of State to establish such fees. Passport fees continue to be established by legislation. (See p. 16.)

The Department of State does not have an accounting system which will provide for the systematic accumulation of cost and revenue data necessary for the establishment of fees and for the effective financial management of the various consular activities. (See p. 19.)

#### RECOMMENDATIONS AND SUGGESTIONS

The Secretary of State should

- revise immigrant visa and other consular fees on a basis that is responsive to Public Law 90-609 and in consonance with public policy that services provided to or for any person should be self-sustaining to the fullest extent possible,
- promulgate definitive policy and criteria for establishing consular fees, and
- develop an accounting system and related procedures for periodically determining the cost of providing consular services.

#### AGENCY ACTIONS AND UNRESOLVED ISSUES

The Department of State expressed the view that legislative history clearly showed that passport fees were established by law as a means of increasing revenue and that recent legislation increasing passport fees did not change this long-established concept.

The Department expressed also the view that the recent legislation vesting authority in the Attorney General and the Secretary of State to set immigrant visa fees had as its purpose the setting of fees on a fair and equitable basis commensurate with the services rendered and moving in the direction of fuller implementation of the user-charge principle.

Regarding the specific recommendations the Deputy Assistant Secretary for Budget and Finance has informed GAO (see app. I) that the Department will:

1. Analyze the existing fee structure to determine the necessity for and extent of a change in the fees, giving due weight to the benefits accruing to the U.S. Government from the requirement that an immigrant secure a visa for entry into the United States, and excluding the costs involved in the investigations of applicants whose visas are not issued. (See p. 14.)

2. Develop definitive policy and criteria for the establishment of consular fees. These will include (a) a determination as to the appropriate indirect costs that should be assessed to consular services, (b) a method for deducting costs related to furnishing consular services for which no charges are assessed, and (c) a means of offsetting the costs related to performing services for U.S. Government employees and dependents for which no fee is prescribed. (See p. 18.)
3. Devise a system for determining once every 3 or 4 years the costs of consular services by using cost-finding techniques within the framework of the policy and criteria developed under item 2 above. (See p. 22.)

Actions proposed by the Department of State represent significant progress toward meeting needed improvements in the management of consular activities. The proposed action for periodic determinations of the cost of providing consular services, however, falls short of what is needed in the long run for effective financial management of the program. Regarding the Department's proposal to analyze the existing fee structure, we believe that the Department should reconsider its position that costs involved in investigations of applicants whose visas are not issued be excluded in determining the fees to be charged.

In the absence of an adequate accounting system, the Department of State is not in a position to provide the Congress with reliable data on the costs that should be associated with the passport activity. This information is necessary to assess properly whether the fee structure is meeting the legislative criterion for the establishment of the passport fee as a means of increasing revenue.

Similarly, reliable information on the cost of providing immigrant visas and other consular services is largely contingent on the existence of an adequate accounting system even though cost-finding techniques may be utilized in an analysis of the fee structure.

Management needs cannot be adequately met by accounting determinations which may be made only once in every 3 or 4 years. Therefore GAO remains firmly of the view that, until the Department of State develops an acceptable accounting system, it will not be in a position to obtain reliable cost information necessary for the effective financial management of the consular services program.

MATTERS FOR CONSIDERATION BY THE CONGRESS

GAO is reporting this matter to the Congress to show the need for improvements in the financial administration of the consular services activity and to show the potential non-tax-derived revenues which could accrue to the Government if services performed by the Department of State for special beneficiaries were provided on the basis of recovery of costs.

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D I G E S T

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During fiscal year 1970 the Department of State collected about \$32 million in user charges for providing consular services including the issuance of about 2.2 million passports, 2 million nonimmigrant visas, and 310,000 immigrant visas.

The General Accounting Office (GAO) was concerned as to the basis for the establishment of user charges for consular services and whether the fees collected were adequate to recover the cost of rendering these services.

FINDINGS AND CONCLUSIONS

Fees collected by the Department of State for issuing several million travel documents annually to individuals traveling between the United States and foreign countries represent a substantial source of income to the U.S. Government. The Department, however, has had no definitive policy or criteria for establishing consular fees nor any method for defining and accumulating cost data necessary for the effective financial administration of the program or for determining the equity of the fees charged.

On the basis of computations using fiscal year 1970 data, GAO estimates that departmental costs associated with processing and issuing immigrant visas to foreign nationals exceed revenues by \$9 million annually. Current fees charged for immigrant visa services were established in 1952. As of October 1970 the Secretary of State had not taken any positive action to determine whether these fees needed to be revised in the light of current costs or any other factors that might have a bearing on the level of fees. (See p. 7.)

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statutory fees for certain consular services, particularly immigrant and nonimmigrant visas, and authorized the Secretary of State to establish such fees. Passport fees continue to be established by legislation. (See p. 16.)

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#### RECOMMENDATIONS AND SUGGESTIONS

The Secretary of State should

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The Department of State expressed the view that legislative history clearly showed that passport fees were established by law as a means of increasing revenue and that recent legislation increasing passport fees did not change this long-established concept.

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Regarding the specific recommendations the Deputy Assistant Secretary for Budget and Finance has informed GAO (see app. I) that the Department will:

1. Analyze the existing fee structure to determine the necessity for and extent of a change in the fees, giving due weight to the benefits accruing to the U.S. Government from the requirement that an immigrant secure a visa for entry into the United States, and excluding the costs involved in the investigations of applicants whose visas are not issued. (See p. 14.)



2. Develop definitive policy and criteria for the establishment of consular fees. These will include (a) a determination as to the appropriate indirect costs that should be assessed to consular services, (b) a method for deducting costs related to furnishing consular services for which no charges are assessed, and (c) a means of offsetting the costs related to performing services for U.S. Government employees and dependents for which no fee is prescribed. (See p. 18.)
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Actions proposed by the Department of State represent significant progress toward meeting needed improvements in the management of consular activities. The proposed action for periodic determinations of the cost of providing consular services, however, falls short of what is needed in the long run for effective financial management of the program. Regarding the Department's proposal to analyze the existing fee structure, we believe that the Department should reconsider its position that costs involved in investigations of applicants whose visas are not issued be excluded in determining the fees to be charged.

In the absence of an adequate accounting system, the Department of State is not in a position to provide the Congress with reliable data on the costs that should be associated with the passport activity. This information is necessary to assess properly whether the fee structure is meeting the legislative criterion for the establishment of the passport fee as a means of increasing revenue.

Similarly, reliable information on the cost of providing immigrant visas and other consular services is largely contingent on the existence of an adequate accounting system even though cost-finding techniques may be utilized in an analysis of the fee structure.

Management needs cannot be adequately met by accounting determinations which may be made only once in every 3 or 4 years. Therefore GAO remains firmly of the view that, until the Department of State develops an acceptable accounting system, it will not be in a position to obtain reliable cost information necessary for the effective financial management of the consular services program.

MATTERS FOR CONSIDERATION BY THE CONGRESS

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## CHAPTER 1

### INTRODUCTION

The Department of State is responsible, with the exception of certain military activities, for the overall direction, coordination, and supervision of the activities of the U.S. Government in the conduct of its foreign affairs.

An integral part of this responsibility is providing various consular services to both United States and foreign nationals under the authority of 63 Stat. 111, as amended; 22 U.S.C. 2651; 22 U.S.C. 811; and Executive Order No. 10718. These services include passport and citizenship services, visa services for aliens, services relating to vessels and seamen, notarial services and authentications, services relating to taking evidence, and copying and recording services.

Consular services are performed at departmental offices in the United States and at approximately 265 embassies, consulates, and other posts located in major cities throughout the world. Within the Department, the Bureau of Security and Consular Affairs has overall responsibility for administering and coordinating the consular services which are conducted in the field by Foreign Service personnel.

The Bureau was created by an act of the Congress (8 U.S.C. 1104) and is directed by an Administrator, whose position is equivalent to that of an Assistant Secretary of State. The Administrator develops, establishes, revises, promulgates, and directs policies and procedures relating to functions of the Bureau, including the administration and enforcement of the provisions of the immigration and nationality laws, issuance of passports and related services, issuance of visas and related services, protection and welfare of American citizens and interests abroad, and third country representation of interests of foreign governments.

The activities of the Bureau are carried out by three offices, as follows:

Passport Office--Administers laws, develops regulations, and recommends policy relating to nationality and to

protection, documentation, and control of travel of U.S. citizens and foreign nationals. Coordinates and provides general substantive and technical direction to the work of the Foreign Service in this functional area.

Visa Office--Discharges responsibilities under the immigration laws and regulations in matters relating to the issuance of visas and directs and coordinates the work of the Foreign Service in this field.

Office of Special Consular Services--Recommends and coordinates policy respecting the welfare and protection of U.S. citizens and interests abroad, including protective services rendered to U.S. ships and seamen in foreign ports. Also coordinates the representation of U.S. interests through foreign governments and U.S. representation of foreign government interests.

The Department provides consular services on a fee basis as established by the Congress or administratively by the Secretary of State. Certain nonimmigrant visas and other services are provided on a nominal or no fee basis, as are those services rendered to Government employees on official business. Title 22, Code of Federal Regulations, prescribes the specific fees to be charged for official services performed by the Foreign Service. At the time of our fieldwork, the fee schedule contained 73 categories of service and had been in effect from December 29, 1962. (See app. II.) Certain of the fees, however, had been established as far back as the 1920's.

During fiscal year 1970 approximately \$32 million were collected in fees for the various consular services provided by the Department and Foreign Service posts, which included the issuance of about 2.2 million passports, 2 million nonimmigrant visas, and 310,000 immigrant visas. Fees collected for such services are deposited into the Treasury of the United States as miscellaneous receipts.

The passport and immigrant visa fees, which resulted in collections of nearly \$32 million, or about 94 percent of all revenue collected for consular services during fiscal year 1970, were established by the Congress. The individual passport fees of \$1 for the application and \$9 for

the issuance, which had been in effect from 1932, were increased by the Congress, in July 1968, to \$2 and \$10, respectively. The fees currently charged for processing an immigrant visa consist of \$5 for the application and \$20 for the issuance of the visa. These fees were originally established by the Congress in 1952; however, Public Law 90-609, approved October 21, 1968, amending the Immigration and Nationality Act (8 U.S.C. 1351 and 1455), eliminated the prescribed statutory fees and, in effect, authorized the Secretary of State to set fees at a level sufficient to recover the cost of rendering these services.

The scope of our review is shown on page 24. The principal Department of State officials responsible for the administration of matters discussed in this report are listed in appendix IV.

## CHAPTER 2

### NEED TO REVISE CERTAIN CONSULAR FEES

Our review shows that the Department of State needs to revise certain consular fees to recover the cost for providing these services. On the basis of our computations using fiscal year 1970 data, we estimate that departmental costs associated with processing and issuing immigrant visas to foreign nationals exceed revenues by an estimated \$9 million annually.

Consular services conducted by the Department during fiscal year 1970 resulted in fee collections of about \$32 million. These services were provided on a fee, no fee, or nominal fee basis depending upon the legislative authority. No fee or nominal fee services include nonimmigrant visas and official passports provided to employees of the U.S. Government. Immigrant visa and passport services represented the major sources of fees in fiscal year 1970. Collections of over \$22 million for passport services and \$7.9 million for immigrant visas were made during this period, which represented about 94 percent of the total consular fees collected.

Although financial information on total fees collected through the consular program had been available within the Department, we found that information on costs incurred, except for certain direct charges, was practically nonexistent, because the Department's accounting system did not provide for the systematic accumulation of data on the cost of conducting departmental activities.

To estimate the total costs borne by the Government for providing consular services, we were required to calculate the cost of the consular program within the Department on the basis of the best available information. We included both the direct and indirect costs of overseas and domestic operations in computing the total cost of the program. Direct costs are those which can be readily identified with a particular program or activity, such as direct salaries and space costs. Indirect costs are those costs which would be applicable to numerous programs or activities,

such as the Department's administrative costs. (Refer to app. III for greater detail on the calculation of costs.)

As guidance in determining those costs to be included, we utilized Bureau of the Budget<sup>1</sup> Circular No. A-25 which states:

"\*\*\* The cost computation shall cover the direct and indirect costs to the Government of carrying out the activity, including but not limited to:

"(1) Salaries, employee leave, travel expense, rent, cost of fee collection, postage, maintenance, operation and depreciation of buildings and equipment, and personnel costs other than direct salaries (e.g., retirement and employee insurance);

"(2) A proportionate share of the agency's management and supervisory costs; \*\*\*"

On the basis of the above criteria, we calculated the total direct and indirect costs of the consular program to be about \$62 million for fiscal year 1970. This amount represents about 27 percent of the total expenditures for all programs of the Department funded by the appropriation for salaries and expenses for the administration of foreign affairs.

It should be noted that our computations did not include any of the costs incurred under the Department of State appropriations for representation allowances; acquisition, operation, and maintenance of buildings abroad; and emergencies in the diplomatic and consular service. If these amounts, which approximated \$18 million in fiscal year 1970, had been included in our computations, the overall

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<sup>1</sup>On July 1, 1970, the Bureau of the Budget became the Office of Management and Budget.

cost of the consular program would have been somewhat higher. It should be understood, however, that our calculations are not absolute and include allocations of indirect costs which may be subject to further refinement and determination as to methodology but, nevertheless, demonstrate within reasonable parameters the problem that needs to be resolved.

The following table summarizes our estimates of the cost of providing consular services during fiscal year 1970.

	<u>Visa services</u>		<u>Passport services</u>	<u>Other consular services</u>	<u>Total</u>
	<u>Im-migrant</u>	<u>Non-immigrant</u>			
(000 Omitted)					
Direct costs:					
Domestic	\$ 1,001	\$ 709	\$ 6,828	\$ 618	\$ 9,156
Space	70	49	489	37	645
Retirement contribution	72	51	385	44	552
Overseas	<u>8,061</u>	<u>5,707</u>	<u>4,290</u>	<u>5,132</u>	<u>23,190</u>
Total direct	<u>9,204</u>	<u>6,516</u>	<u>11,992</u>	<u>5,831</u>	<u>33,543</u>
Indirect costs:					
Allocable portion:					
Administration of Bureau of Security and Consular Affairs	44	31	293	31	399
Other domestic	3,328	2,357	4,288	2,112	12,085
State administrative	2,384	1,689	3,143	1,512	8,728
State executive	<u>1,977</u>	<u>1,400</u>	<u>2,606</u>	<u>1,254</u>	<u>7,237</u>
Total indirect	<u>7,733</u>	<u>5,477</u>	<u>10,330</u>	<u>4,909</u>	<u>28,449</u>
Total costs	<u>\$16,937</u>	<u>\$11,993</u>	<u>\$22,322</u>	<u>\$10,740</u>	<u>\$61,992</u>

### IMMIGRANT VISAS

Our review showed that during fiscal year 1970 departmental costs associated with processing and issuing immigrant visas exceeded the revenues collected by approximately \$9 million.

Immigrant visa fees, which have been in effect since 1952, consist of a \$5 fee for the application and a \$20 fee

for the issuance of the visa. On October 21, 1968, the Congress passed legislation (Pub. Law 90-609) which, in effect, eliminated the statutory fees for immigrant visas and permitted the Secretary of State to set such fees on a fair and equitable basis, commensurate with services rendered and in the direction of fuller implementation of the user-charge principle. The user-charge principle was enunciated in the provisions of title V of the Independent Offices Appropriation Act of 1952 (31 U.S.C. 483a), which states that services provided by any Federal agency to the public should be self-sustaining to the fullest extent possible.

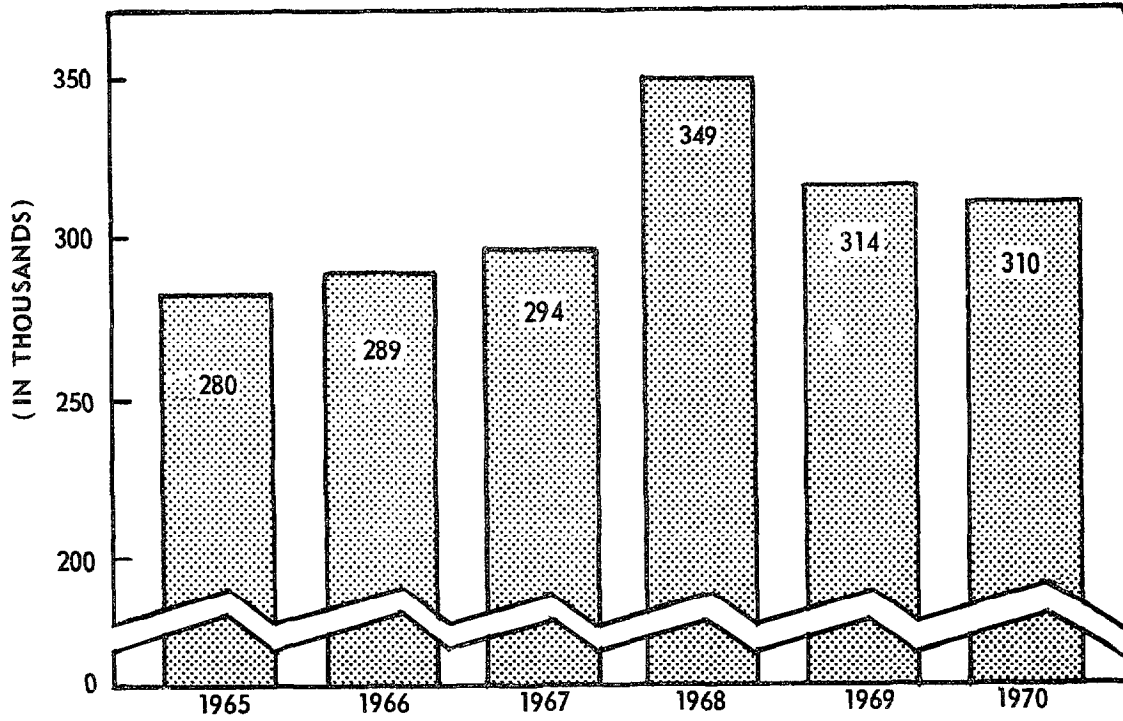
In October 1968 the Secretary of State reestablished the immigrant visa fees at the same level as had been in effect from 1952. This action had been in accord with the official position taken by the Department in commenting on the proposed legislation and had been based on the need to determine what portion of the activities of the Department, pertinent to the issuance of visas, involved services to users and the difficulty involved in relating the fees charged for immigrant visas to the total cost of visa operations.

Our review showed that it cost the Department about \$17 million to provide immigrant visa services during fiscal year 1970 for which fees of about \$7.9 million were collected (see chart p. 11). During this period the Department processed approximately 333,000 immigrant visa applications of which about 23,000 were refused. On the basis of our computed cost of about \$17 million, we estimated that the average cost for each immigrant visa issued was about \$54 during fiscal year 1970 compared with the \$25 total fee charged.

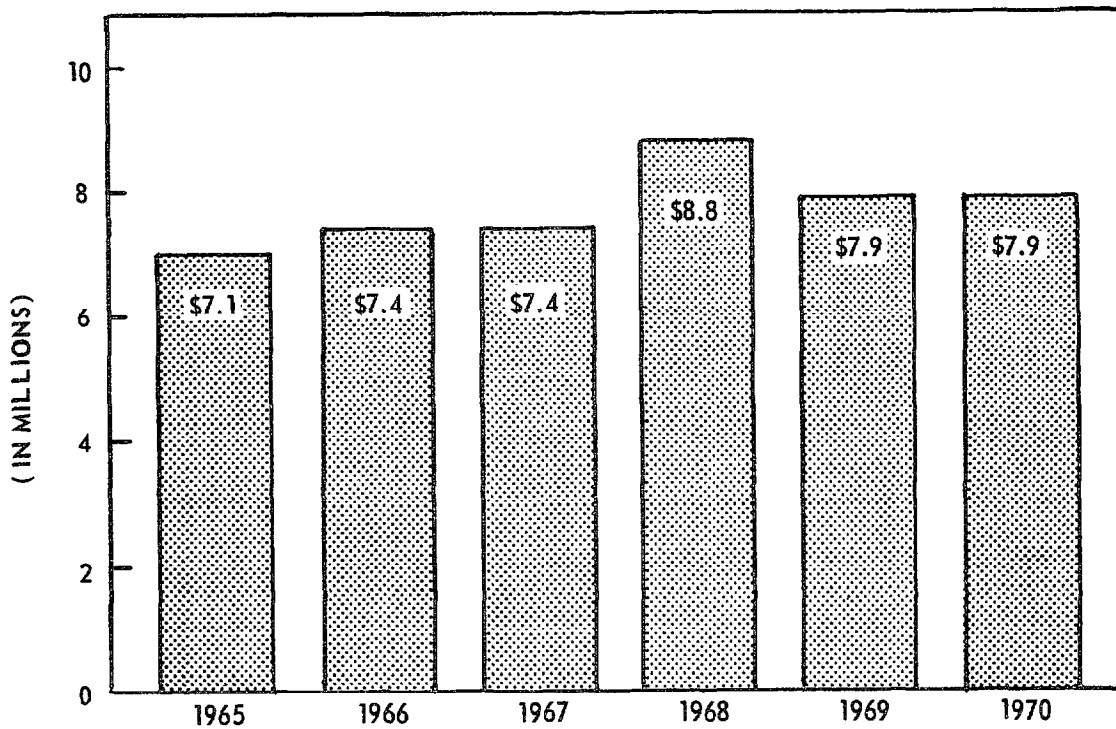
Department of State officials have been aware for a number of years that established fees for immigrant visas might not cover the cost of providing these services. Such information has been available from 1965 when Department personnel completed a study which had been undertaken to identify, accumulate, and allocate the cost of performing certain consular services. This study showed that the cost of processing immigrant visas had been substantially in excess of the fees charged for such services. As of October 1970, however, the Secretary of State had not taken action to increase these fees to a level that would cover the cost of the services rendered.



IMMIGRANT VISAS ISSUED  
FY 1965 - 1970



FEEES COLLECTED FOR  
IMMIGRANT VISAS ISSUED  
FY 1965 - 1970



## NONIMMIGRANT VISAS

Nonimmigrant visas are provided by the Department of State on a fee or no fee basis. The United States has entered into agreements with many countries permitting, on a reciprocal basis, the waiver of visa fees. Public Law 90-609, approved October 21, 1968, eliminated the requirement that fees for nonimmigrant services be strictly on a reciprocal basis.

## PASSPORTS

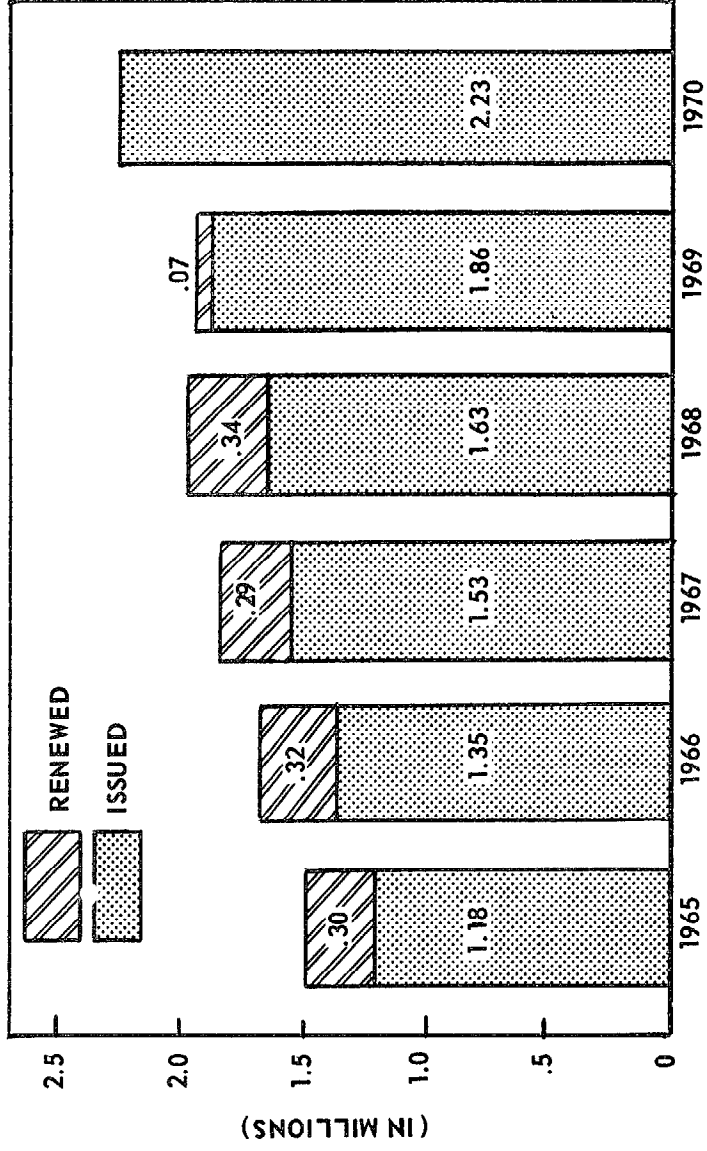
Our review of the passport function for fiscal year 1970 showed that fees approximating \$22 million were collected for processing about 2 million passports (see chart p. 13), which we calculated to cost about \$22 million.

In August 1968 a new passport law became effective, which revised the fees that had been in effect from 1932. The new law eliminated the renewal provision and extended the life of a passport from 3 years to 5 years. Collections derived from the revised fees of \$2 for the application and \$10 for the issuance of each passport approximates the cost of providing such services as estimated by GAO. In the absence of an accounting system which provides for the systematic accumulation of costs and revenues for this activity, however, it is difficult to determine, with any degree of certainty, whether the current fee level meets the legislative criterion for the establishment of passport fees as a means of increasing revenue.

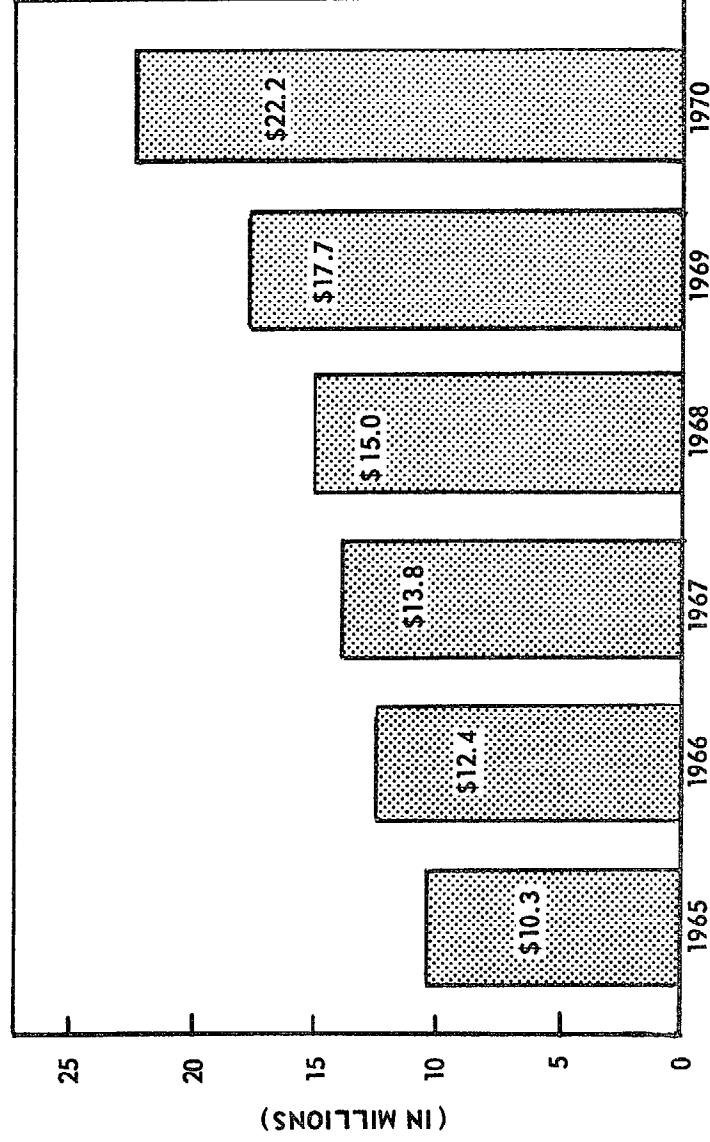
## AGENCY COMMENTS AND GAO EVALUATION

In responding to our draft report (see app. I), the Department commented that the views expressed by GAO ignored the fact that the requirement for a passport or visa was imposed by governments for their purposes and the fact that the applicant has no choice as to whether he wishes the service. The Department stated that the passport or visa document provides the governments with a means of establishing identity and a means of control over the movement of people for a variety of domestic and foreign policy reasons and that, when due weight is given to the benefit accruing to

PASSPORTS ISSUED AND RENEWED  
FY 1965 - 1970



FEEES COLLECTED FOR  
PASSPORTS ISSUED AND RENEWED  
FY 1965 - 1970



the government from these considerations, the present fees for passports and visas may be considered entirely appropriate.

We believe that it is inherent in any fee structure that elements of control are an integral part of the process and that the Congress, in enacting the legislation providing for user fees to be established at a level to recover the costs of rendering services to the extent possible, was well aware of this factor. In our opinion, the Congress, in dealing specifically with legislation involving passport and visa fees, supports the concept that passport and visa applicants are the recipients of a special benefit not applicable to the public generally and therefore should be assessed the cost of the service to the extent possible.

In our draft report we proposed that the Department review and revise immigrant visa fees to establish the basic fees at a level which will recover the cost of providing such visas to the individual aliens involved. The Department informed us that it proposed to analyze the existing fee structure to determine the necessity for, and the extent of, a change in the fees, giving due weight to the benefits accruing to the U.S. Government from the requirement that an immigrant secure a visa for entry into the United States, and excluding the costs involved in the investigation of applicants whose visas are not issued.

Although we are in accord with the Department's proposal to analyze the existing fee structure, we believe that the Department should reconsider its position that costs involved in the investigation of applicants whose visas are not issued should be excluded in determining the fees to be charged. In this respect, the Department's reply pointed out that the greater portion of the expense in visa work related to the investigation and that annually more than 10 percent of the applications received for visas resulted in formal refusals or were not processed to completion with no way to recover the cost of the investigation or any other expenses incurred.

We do not question the Department's position that the greater portion of the cost for visas is related primarily

to the application and resulting investigation, rather than the issuance. The present fee structure consisting of \$5 for the application and \$20 for the issuance of the visa, however, is not consistent with the Department's position. The Department of State in its analysis of the immigrant visa fees should consider increasing the fee for the application to a level commensurate with the cost of services rendered, including any applicable costs associated with performing the investigation, notwithstanding the possibility that the applicant may be denied a visa as a result of the investigation. We believe that such a position is consistent with the user-charge concept and that denial for appropriate reasons is within the prerogative of the issuing authority.

#### RECOMMENDATION

We recommend that the Secretary of State revise immigrant visa and other consular fees on a basis that is responsive to Public Law 90-609 and in consonance with public policy that services provided to or for any person should be self-sustaining to the fullest extent possible. In this connection the Department should reconsider its position that costs involved in investigations of applicants whose visas are not issued should be excluded from any fee determination.

### CHAPTER 3

#### DEPARTMENTAL POLICY AND CRITERIA

#### FOR ESTABLISHMENT OF FEES LACKING

The Secretary of State has not promulgated definitive policy and criteria for the establishment of user fees for consular services, although Public Law 90-609, approved October 21, 1968, which amended the Immigration and Nationality Act (8 U.S.C. 1351 and 1455), eliminated the prescribed statutory fees for specified immigration and nationality benefits and services including those pertaining to immigrant visas. The legislation, in effect, authorized the Secretary to establish such fees in accordance with the Government's policy that services provided to, or for, any person be self-sustaining to the fullest extent possible.

In considering the legislation, a Department official informed the Judiciary Committee, House of Representatives, that the existing fees would be utilized until it could be determined what portion of the activities of the Department involved services to users and that the Department would be governed in setting similar charges by all of the considerations of public policy specified in title V of the Independent Offices Appropriation Act of 1952 (31 U.S.C. 483a).

According to 31 U.S.C. 483a, any service provided by any Federal agency to, or for, any person, except those engaged in the transaction of official business of the Government, shall be self-sustaining to the fullest extent possible. Further, the head of each Federal agency is authorized to prescribe a fee for services provided that is fair and equitable, taking into consideration direct and indirect costs to the Government, value to the recipient, public policy or interest served, and other pertinent facts.

The general policy for developing an equitable system of charges for certain Government services is set forth by the Bureau of the Budget Circular No. A-25 issued on September 23, 1959. The circular states that

"A reasonable charge \*\*\* should be made to each identifiable recipient for a measurable unit or amount of Government service or property from which he derives a special benefit."

The circular defines a special service, as follows:

"Where a service (or privilege) provides special benefits to an identifiable recipient above and beyond those which accrue to the public at large, a charge should be imposed to recover the full cost to the Federal Government of rendering that service. For example, a special benefit will be considered to accrue and a charge should be imposed when a Government-rendered service:"

\* \* \* \* \*

"(c) Is performed at the request of the recipient and is above and beyond the services regularly received by other members of the same industry or group, or of the general public (e.g., receiving a passport, visa, airman's certificate, or an inspection after regular duty hours)."

The circular states also that the responsibility for the initiation, development, and adoption of schedules of charges and fees consistent with the policies set forth in the circular rests with the agency.

Upon repeal of the statutory fees in October 1968, the Department reestablished by administrative action (33 F. R. 15862) the immigrant visa fees at the same level as had been in effect from 1952. As of October 1970 these fees were still in effect and no action had been taken by the Secretary of State to prescribe a policy to define (1) the consular services of the Department, which are to be construed as services to users and accordingly subject to the user-fee provisions of 31 U.S.C. 483a or (2) those elements of cost that are properly recoverable in the fee structure.

## RECOMMENDATION

We recommend that the Secretary of State promulgate definitive policy and criteria for establishing fees, to ensure the equitable development of charges for consular services. Such action is necessary before adequate determinations can be made on the appropriate level and structure for the various fees administered by the Department of State.

## AGENCY COMMENTS AND GAO EVALUATION

In commenting on our recommendation, the Department of State noted that there were widely divergent views as to which, and how, indirect costs should be distributed to the various consular functions in ascertaining the total costs from which fee determinations could be made. Further, the Department pointed out that many services performed by consular officers and employees were services for which the tariff of fees provided that no fee be charged or which traditionally have been performed without charge.

The Department advised us that action would be taken to develop definitive policy and criteria for the establishment of consular fees, including (1) a determination as to the appropriate indirect costs that should be assessed to consular services, (2) a method for deducting costs related to furnishing consular services for which no charges are assessed, and (3) a means of offsetting the costs related to performing services for U.S. Government employees and dependents for which no fee is prescribed.



## CHAPTER 4

### ACCOUNTING SYSTEM NEEDED FOR MANAGEMENT OF CONSULAR ACTIVITIES

The Department of State has not established an accounting system to provide for the systematic development of reliable data on the Department's assets and liabilities or the value of resources consumed with respect to the various programs and activities carried out by the Department.

In September 1969 the Comptroller General stated in a report<sup>1</sup> addressed to the Congress that the Department's existing accounting system was designed primarily to account for its appropriations and funds in terms of obligations and cash transactions. The report also stated that the system did not readily permit the systematic development of reliable data on the value of resources consumed with respect to each of the programs and activities carried out by the Department.

In an April 1970 letter to the Department, GAO again pointed out that, although the appropriation accounting system had been reasonably adequate for the political activities of the Department through the years, with the Department's increasingly assumed program responsibilities, obligation cash data clearly was not sufficient for management purposes.

The letter stated that a most effective contribution to overall program management within the Department could be made through the modernization of the Department's budgeting, management, reporting, and accounting systems. The letter stated also that, in line with the Department's objective of improving management, the basic accounting and financial reporting concepts of the Department, particularly as they related to its operating programs, needed to be expanded from a management viewpoint for adequate and reliable financial data to be available to program managers.

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<sup>1</sup>Progress and Problems Relating to Improvement of Federal Agency Accounting Systems as of December 31, 1968 (B-115398).

To determine the cost of rendering any program, including the consular program, certain fundamental principles and concepts must be established. An understanding and concurrence relative to what constitutes cost--the types of cost and their interrelationship, assignment of cost to areas of effort, and the methods for measuring performance--is paramount for an effective cost accounting system.

Based on these fundamental principles, a properly devised accounting system should provide for the systematic accumulation of cost information on a continuing basis to provide data for management review of overall program costs and cost trends. In adequate detail, the system would not only provide a basis for periodically analyzing specific cost areas for productivity but would also provide the basic revenue and cost data necessary for the determination of fees on a current basis.

The financial reporting produced by the accounting system, for each service program conducted by the Department, should be designed to recognize the whole cost of the operation. For revenue-producing programs, the accounting system should recognize such revenues as an integral part of the financial management picture to truly reflect the financial results of the program.

Although the Department's need for modernized accounting procedures and a financial management consciousness adapted to management actions is most acute, the Department does have some of the fundamentals for the implementation of a cost accounting system and for determining the cost of its consular activities. These include two reports which give essential statistics regarding consular work at overseas posts.

The Consular Services Report, which is submitted annually by all posts, shows the approximate number of services or actions performed, the total of each type of fee collected, and the other information that is specifically requested by the Department. The Monthly Summary of Visa Workload, which is submitted either monthly or quarterly depending on the volume of visas issued, shows the number of man-hours worked on each activity. Although neither of these two reports contains data relating to the cost, direct

or indirect, of the consular services performed, we believe that the existing manpower and statistical data, relative to the various consular services, provides the Department with a basis for the assignment and distribution of certain direct costs.

The Passport Office accumulates some cost figures on a fiscal year basis; however, these figures include only certain direct domestic costs of operating the Passport Office. The Passport Office excludes from its computations such costs as the Department's share of retirement contributions, space occupied by the passport offices (estimated by GAO to amount to \$489,000 for fiscal year 1970), overseas costs of providing consular services, and a pro rata share of the general administrative costs of the Bureau and the Department. Such administrative costs would include an appropriate allocation of the cost of performing the accounting function, employee activities, and other functions that contribute to the operation of the activity.

Government policy requires that user fees be established to recover cost to the extent possible. Bureau of the Budget Circular No. A-25 and 31 U.S.C. 483a provide adequate authority for the administrative establishment of fees on the basis of recovery of costs. The circular provides also that the cost of supplying these services be reviewed every year and the fees be adjusted as necessary.

We are fully cognizant that the establishment of fees based on costs will entail some difficulties relating to what costs should be included, development of an equitable basis for allocation, and assignment of effort and related costs. The magnitude of the costs and revenues relative to supplying consular services, an estimated \$62 million and \$32 million, respectively, in fiscal year 1970, however, should provide sufficient impetus for the development of an accounting system that will provide cost information for the consular program.

#### AGENCY COMMENTS AND GAO EVALUATION

In commenting on our draft report, the Department stated that, because of certain variables, it would be very difficult to devise, install, and maintain a cost accounting

system for all consular services both here and abroad and that such a system would be overly elaborate for the purposes to be served and would result in unnecessary costs being allocated to the consular-fee structure. As an alternative, the Department proposes to use cost-finding techniques, for the purpose of setting and adjusting fees every 3 or 4 years, based on the policy and criteria to be established by the Department.

Although the actions proposed by the Department of State will represent progress toward meeting needed improvements in the administration of consular activities, we believe that an adequate accounting system is a necessary prerequisite for the effective financial management of the overall consular program.

Additional costs may be involved in the establishment of such a system; however, we believe that the additional costs would have to be measured against the need for obtaining adequate financial information for making informed judgments for the effective management of one of the more significant programs of the Department. We would be pleased to cooperate with the Department in developing a system that would meet the Comptroller General's principles and standards and that would not be overly elaborate and unnecessarily costly in meeting management needs.

In the absence of an adequate accounting system, the Department is unable to obtain reliable information on the costs of supplying immigrant visas or other consular services even though cost-finding techniques may be utilized in estimating and analyzing the fee structure. It is also our firm belief that without such a system the Department is not in a position to furnish the Congress with the necessary basic financial data upon which a determination can be made as to whether passport fees are meeting the revenue criterion as established by legislative history.

#### RECOMMENDATION

In view of the financial magnitude and importance of the consular program, we recommend that the Secretary of State reconsider the need to develop an accounting system that will provide the necessary data to permit management

to make continuing assessment of the program and to provide a sound basis to evaluate the reasonableness of the fees and that will meet the principles and standards prescribed by the Comptroller General.

## CHAPTER 5

### SCOPE OF REVIEW

Our review, which was conducted at the Department of State in Washington, D.C., included an examination of applicable legislation and departmental policies, procedures, and records pertinent to the establishment of fees for consular services and to the accounting and monitoring of associated costs.

The review did not encompass the overall management of the consular program or individual services nor the financial control exercised over fee collections but was directed primarily toward ascertaining the basis used in establishing fees and whether the fees charged were adequate to recover the cost of rendering related services.

**APPENDIXES**



## DEPARTMENT OF STATE

Washington, D.C. 20548

OCT 6 1970

Mr. Oye V. Stovall  
Director  
International Division  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Stovall:

On August 24, 1970 you transmitted to the Secretary copies of the General Accounting Office draft report on the Need to Improve Administration and to Revise Fees for Certain Consular Services.

The subject of establishing consular fees has a long history. For many years both visa and passport fees were established by law apparently with little regard being given to whether the fee charged recovered the cost of providing the service. During the Civil War a passport fee was imposed by Act of Congress "to provide internal revenue to support the Government, and to pay interest on the public debt". In 1932 the fee for a passport was increased from \$5 to \$9 and clearly advocated as a means of increasing revenue. The most recent legislation (P.L. 90-428) increasing the application fee from \$1 to \$2 and the passport fee from \$9 to \$10 did not change this long established concept. Recent legislation (P.L. 90-609) which abolished the statutory immigrant visa fees and vested authority in the Attorney General and the Secretary of State to set the fees, had as its purpose the setting of fees on a fair and equitable basis commensurate with the services rendered and moving in the direction of fuller implementation of the user charge principle.

Cost analyses of consular services have been made by both the Department and the General Accounting Office in recent years. However, there are widely divergent views as to



which and how indirect costs should be distributed to the various consular functions in ascertaining the total costs from which fee determinations could be made. There is also interest and concern on the part of Congress and the OMB in the passport and visa fee levels that must be taken into consideration when proposed changes are to be made. In Senate Report No. 113 of the Government Operations Committee on Progress on Reorganization of the Passport Office issued February 25, 1957 the Committee stated - "The Committee strongly believes that only items bearing directly on the passport operation and service to travelers should be included in this cost accounting, and that periodic review of these charges be made by the General Accounting Office." However, elsewhere in the same report the Committee stated - "With the increased public demands for better service in the issuance of passports for their personal convenience, and the heavy costs that are involved both at home and abroad in servicing American travelers through the Passport Office, the Consular Service, and other agencies of the Department of State, it is the view of the Committee that an increase of 100 percent or more in fees for such services is fully warranted."

In the latest legislation affecting the passport fee a \$3 application fee and a \$12 passport fee was initially proposed. The House Committee on Foreign Affairs felt the proposed fees were too high in view of the elimination of the renewal feature and, accordingly, reduced them to \$2 and \$10 respectively, which prevailed in the final enactment.

The substance of the GAO draft report is based on the premise that the passport and visa applicants are the recipients of a special benefit not applicable to the public generally, and, therefore, should be assessed the cost of the service. This ignores the fact that the requirement for a passport or visa is imposed by governments for their purposes and the applicant has no choice as to whether or not he wishes the service. The passport or visa document provides the governments with a means of establishing identity and a means of control over the movement of people for a variety

of domestic and foreign policy reasons. An argument can be made that the government should bear some of the costs because it is a beneficiary of the requirements. It could well be that when the benefit to the government of these considerations are given due weight, the present fees for passports and visas may be considered entirely appropriate.

Another important consideration is that many services performed by consular officers and employees are services for which the tariff of fees provides that no fee shall be charged or which traditionally have been performed without charge. Welfare and protection of American citizens abroad absorbs a substantial amount of time. No fees are charged for these services. To illustrate this point, considerable time is spent by consular officers in gaining access to American citizens who have been arrested for violation of the laws of the host country and in providing them with various types of assistance. In the case of passports, 152,600 no fee passports were issued in Fiscal Year 1970, 7.34 percent of the total, to provide passports to officers and employees of the U.S. Government and their dependents as well as certain other categories prescribed by law. The costs of providing these services should not be assessed against those from whom a fee is required. Contrary to the statement in the report that 85 categories of services are provided in the fee schedule, there are only 73 items of which 16 are No-Fee items.

Further, with respect to immigrant visa applicants a \$5 fee is charged for the application, and \$20 for the visa when it is issued. Each application requires an investigation by the consular officer to determine the applicant's eligibility for the visa. The greater portion of the expense involved in visa work relates to the investigation. Each year 40,000 or more of the applications received for visas result in formal refusals. This is more than 10 percent of the total. An even greater number of applications are never processed to completion. Although the

expense has been incurred, if the visa is not issued there is no way in which to recover the full cost of the investigation and other expenses incurred. Costs attributable to these categories should not be assessed against the applicants who are successful in receiving visas. Moreover, the benefit of the investigation accrues not to the unsuccessful applicant but to the government that established the ground of ineligibility disclosed by the investigation.

Because of the variables described above it would be very difficult to devise, install and maintain an integrated cost accounting system for all consular services both here and abroad. Further, to establish a system that would provide for the systematic accumulation of costs on a continuing basis would be overly elaborate for the purposes to be served and only result in unnecessary costs to be allocated to the consular fee structure.

It is the Department's position that cost determinations can be made periodically using cost-finding techniques which are comparatively simple and entirely adequate for the purposes of setting fees. Also, it would not be the intent of the Department to adjust fees at more frequent intervals than every 3 or 4 years.

The draft report contains the following three recommendations. The Department's proposed action follows each of the three recommendations.

Recommendation No. 1 - Review and revise immigrant visa fees in order to establish the basic fees at a level which will recover the cost of providing such visas to the individual aliens involved.

Proposed Action - The Department will analyze the existing fee structure to determine the necessity for and extent of a change in the fees, giving due weight to the benefits accruing to the U.S. Government from the requirement that an immigrant secure a visa for entry into the United States, and excluding the costs involved in the investigations of applicants whose visas are not issued.

Recommendation No. 2 - Promulgate definitive policy and criteria for establishing consular fees.

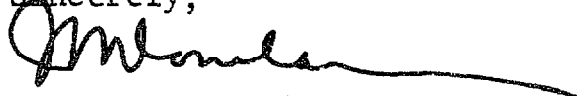
Proposed Action - The Department will develop definitive policy and criteria for establishment of consular fees, including (a) a determination as to the appropriate indirect costs that should be assessed to consular services, (b) a method for deducting costs related to furnishing consular services for which no charges are assessed, and (c) a means of offsetting the costs related to performing services for U.S. Government employees and dependents for which no fee is prescribed.

Recommendation No. 3 - Devise procedures within the Department for periodically determining the cost of providing consular services through an integrated cost accounting system.

Proposed Action - The Department will devise a system for periodically determining the costs of consular services using cost-finding techniques, within the framework of the policy and criteria developed under Recommendation No. 2.

Departmental representatives would be happy to discuss the substance of this reply with your staff if you need further information.

Sincerely,



Joseph F. Donelan, Jr.  
Deputy Assistant Secretary  
for Budget and Finance

TARIFF OF FEES, FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

CODE OF FEDERAL REGULATIONS TITLE 22 - FOREIGN RELATIONS

PART 22—FEES AND CHARGES, FOREIGN SERVICE
Authority: § 221 to 227 issued under secs. 3, 4 60 Stat 111, as amended 5 U S C. 151c, 22 U S C. 811a, E O 10718, 22 F R. 4632.

Table with 3 columns: Item No., Description, Fee. Includes items 1-26 regarding passport and citizenship services, and items 27-31 regarding visa services for aliens.

VISA SERVICES FOR ALIENS—Continued

Table with 3 columns: Item No., Description, Fee. Includes items 27-31 regarding medical examination, health services, and vessel services for aliens.

SERVICES RELATING TO TAKING OF EVIDENCE—Continued

Table with 3 columns: Item No., Description, Fee. Includes items 65-85 regarding various legal and administrative services.

22 X 33 X 34

BASIS USED IN DETERMINING COSTS OF THE  
CONSULAR PROGRAM

Costs of conducting the consular program of the Department of State were calculated on the basis of obligations incurred during fiscal year 1970 together with information obtained from such material as staffing patterns, employee authorizations, space distribution schedules, rental rate schedules, and other varied reports dealing with the workload of the various consular activities. Specific reports utilized included the Consular Services Report and the Monthly Summary of Visa Workload. We also considered certain data developed in a study conducted by the Department of State in 1965 on the cost of providing consular services.

The direct cost of the consular program was calculated on the basis of consular positions and related salaries, both domestic and overseas, with identifiable support costs allocated directly to the various activities or on the basis of cumulative personnel costs. Cost of space occupied by the various domestic offices was included as a direct charge and was computed by applying the General Services Administration rental rates to the square footage occupied.

The indirect costs of the consular program were computed through the allocation of a portion of the various support functions which could not be related to, or identified with, specific programs. These include a proportionate share of the costs of security, communications, administration of the Bureau of Security and Consular Affairs, as well as a share of the general administrative and executive costs of the Department and overseas posts.

APPENDIX IV

PRINCIPAL DEPARTMENT OF STATE OFFICIALS

CONCERNED WITH THE SUBJECT MATTER OF THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
SECRETARY OF STATE:		
Dean Rusk	Jan. 1961	Jan. 1969
William P. Rogers	Jan. 1969	Present
DEPUTY UNDER SECRETARY OF STATE FOR ADMINISTRATION:		
William J. Crockett	June 1963	Jan. 1967
Idar Rimestad	Feb. 1967	Sept. 1969
William B. Macomber, Jr.	Oct. 1969	Present
BUREAU OF SECURITY AND CONSULAR AFFAIRS:		
Administrator:		
Abba P. Schwartz	Sept. 1962	Mar. 1966
Philip B. Heymann (acting)	Mar. 1966	Apr. 1967
Barbara M. Watson (acting)	Apr. 1967	Aug. 1968
Barbara M. Watson	Aug. 1968	Present